Woodward's

ANNUAL REPORT 1983

FOR THE FISCAL YEAR ENDED JANUARY 28, 1984

Oakridge

It is 25 years since the original Oakridge Shopping Centre was built by the Company at 41st Avenue and Cambie Street in Vancouver. The open-mall plaza represented the most advanced concept in shopping centre design in 1959, and its sustained success over the years has proven the validity and popularity of that concept as well as the intrinsic appeal of the Woodward's name.

The exciting new Oakridge

"Our concern for people has been at the start of all planning"

Centre, many components of which will be completed in 1984, marks more than the passage of time. It also dramatizes the Company's philosophy that an urban space of this calibre and character should be a multi-use, people-oriented community facility as well as a shopping centre of outstanding quality.

The 28.3-acre site will become, in effect, a regional town centre fully integrated into the surrounding community. It will be linked by enclosed, climate-controlled pedestrian malls and there will be over 3,300 parking spaces available on site. In addition to the Woodward's department store and food floor, over 140 commercial retail/service tenants will be on site.

An urban park will grace one entrance; an apartment tower for senior citizens will take shape on land donated by Woodward's; an apartment complex, office/commercial/professional accommodation, restaurants and cinemas will add new dimensions of activity and interest; a day care centre for children and a community centre with library and auditorium will serve area residents.

Woodward's department store and food floor will be dramatically changed. The department store will occupy three floors totalling 248,832 square feet. Using the latest in merchandising techniques and with merchandise especially selected for the unique Oakridge trade area, the Woodward's store will be one of the most exciting retail environments in Vancouver.

A separate new Woodward's Food Floor of 63,411 square feet will carry fine foods from around the world.

Oakridge Centre is the only complex of its kind within the limits of the City of Vancouver. This dramatic expansion program does full justice to its location, promising a total shopping experience and the multi-use versatility of a true town centre.

Woodward's

ANNUAL REPORT 1983

FOR THE FISCAL YEAR ENDED JANUARY 28, 1984

DIRECTORS' REPORT TO THE SHAREHOLDERS

This Annual Report is a review of your Company's activities for the year ended January 28, 1984.

The modest earnings achieved reflect the depressed state of the Western Canadian economy. The labour unrest in British Columbia during 1983 and the disruption of business at the Oakridge Shopping Centre due to the redevelopment also had negative effects on the year's results.

The Company's determined cost control measures and aggressive merchandising programs contributed significantly to the year's results and will be maintained in the years ahead. However, we have not lost sight of the long-term need to position and prepare ourselves for the inevitable economic upswing. Consequently, growth projects such as the Oakridge redevelopment, and the computer update program were advanced in the expectation of substantial future benefits.

FINANCIAL

Total operating revenue for the year was $1,120,015,895, an increase of 1.4% over the previous year's total of $1,104,128,417.

The Company's operations generated earnings before extraordinary items of $4,835,888 or 33 cents per share, compared to the previous year of $8,435,968 or 57 cents per share. There are no extraordinary items to report for the year; in the previous year, after inclusion of an extraordinary item of $514,254 the Company achieved net earnings of $8,950,222 or 60 cents per share.

The debt service requirement of the Distribution Centre at New Westminster did have a negative impact on earnings. The substantial cost-saving benefits of this facility will have a positive effect in the years ahead.

Working capital at year-end decreased from $163,851,308 to $152,351,294 and the ratio of current assets to current liabilities stood at 2.21 to 1 compared to 2.77 to 1 for the previous year.

Total funds provided from operations increased from $18,569,443 to $19,571,970. Capital expenditures for properties, fixtures and equipment amounted to $55,060,344, up from the previous year's total of $40,353,473. Approximately $30,600,000 of the current year's expenditures was spent on the Oakridge redevelopment project. Interim financing for Oakridge has been arranged with a Canadian chartered bank in the form of a floating rate 10-year term loan to a maximum amount of $90,000,000.

Subsequent to the year-end, Lansdowne Park Shopping Centre Limited, in which the Company holds an 80% interest, sold its property, fixtures and equipment. The Company's share of the net gain from this sale was approximately $23,500,000 after income taxes and will be reported as extraordinary earnings in the year ending January 26, 1985. Woodward's will continue to occupy its retail premises in the Shopping Centre through a long-term lease and will remain as manager of the Centre under contract to the new owners.

DIVIDENDS AND SHARE REDEMPTIONS

The Directors declared the following dividends payable May 31, 1984 to shareholders of record at the close of business on April 27, 1984: (1) To Class A Shareholders — on the outstanding Class A Shares, a cash dividend of 10 cents per share and a stock dividend consisting of Class A Shares equivalent to 20 cents per share; (2) To Class B Shareholders — on the outstanding Class B Shares, a stock dividend consisting of one fully paid Class E Share having a paid up capital of 10 cents per share, and a stock dividend consisting of Class A Shares equivalent to 20 cents per share; and (3) To Class C Shareholders — on the outstanding Class C Shares, a stock dividend consisting of three-tenths of one fully paid Class E Share having a paid up capital of 10 cents per share, and a stock dividend consisting of Class A Shares equivalent to 20 cents per share.

The Class A Shares issued as a stock dividend on the Class A, Class B and Class C Shares will be treated as fully paid in the amount of $13.50 per share. No fractional Class A Shares will be issued and in lieu thereof shareholders will receive any balance of the dividend to which they are entitled in cash.

In addition, the Company will redeem 200,698 Class D Shares (which will be equivalent to 7 cents per Class C Share, and which will redeem all presently outstanding Class D Shares) on May 31, 1984 and all the outstanding Class E Shares on June 1, 1984.

MERCHANDISING PROGRAMS

During the year, renewed emphasis was given to purchasing merchandise which meets contemporary consumer buying trends and displaying that merchandise in an innovative and exciting store environment. In the coming year, consumer research and competitive analysis will play a major role in ensuring that Woodward's remains closely in touch with consumer expectations.

Food operations continued to face the combined influences of an uncertain economy, the continued growth of discount and bulk food stores, and very competitive pricing. Programs, such as expanded shopping hours at selected food floors, are in place to protect the Company's share of market and provide growth opportunities.

ACTIVITIES IN BRIEF

Activities included a number of projects and programs designed to increase the Company's competitiveness and efficiency, both on a short-term and long-term basis.

The redevelopment of Oakridge Shopping Centre continued on schedule. All the retail, commercial rental units, and the community centre should be completed by the Fall of 1984. Other major elements, including the office tower and apartment complex, will be operational in early 1985.

One of the new retail attractions at Oakridge Centre will be a full-service Abercrombie & Fitch store. Woodward's purchased the Canadian licensing rights to this internationally famous name, which has been synonymous with high quality sporting goods and other fine merchandise since 1892. Given the degree of public acceptance we confidently anticipate, similar stores will be opened across Canada in the future.

Zoning approval was also received during the year for the development of a new shopping centre in Surrey, British Columbia, which will include mixed-use facilities. With this approval and other projects now in the preliminary planning stages, the Company will be positioned to take advantage of future growth in its trade areas.

An important internal milestone was achieved with the installation of a new mainframe IBM 3083 computer as part of a five year, long range plan for information systems. This state-of-the-art equipment has effectively doubled our previous data processing capacity, providing the necessary resources to upgrade the Company's information systems.

Arrangements were made to accept American Express credit cards in the department store operations this year. This internationally recognized credit facility gives us access to a broader customer base.

A voluntary leave of absence program, called "Take-A-Break", was introduced as a measure to keep salary costs in line. The Company saved a significant number of full-time wage dollars through this program while the employees enjoyed additional time off to spend with their families and in leisure activities. The program will be continued in the coming year.

ECONOMIC OUTLOOK

The start of an economic recovery was evident during 1983. However, recent economic indicators are giving mixed messages as to the strength or duration of the recovery. The British Columbia and Alberta economies in general are expected to perform below the Canadian level in 1984.

Given labour stability, British Columbia should witness a return to more normal levels of output in the lumber, pulp and paper, and mining industries. A moderate increase in real disposable income may be achieved in British Columbia in 1984.

Alberta is less fortunately positioned. With a moderate recovery in the energy sector, the construction, manufacturing and commercial service industries can be expected to recover some, but not all, of their drastic output losses of 1983.

BOARD RETIREMENT

Mr. Stanley Milner, who has been a member of your Board of Directors since April 8, 1976 chose, for personal reasons, not to stand for re-election.

This decision was accepted with regret, for Mr. Milner brought to your Company's affairs a high level of business acumen and a keen insight into the problems and opportunities which face us in a rapidly changing world.

On your behalf we extend to Mr. Milner our appreciation and best wishes.

EXECUTIVE APPOINTMENT

Mr. W.J.D. Woodward was appointed Vice President, Special Projects, effective October 24, 1983. Among his responsibilities are the new Abercrombie & Fitch venture and the Oakridge Centre redevelopment. Prior to his appointment, Mr. Woodward was Merchandise Manager, Men's Wear and Shoes.

ACKNOWLEDGEMENTS

Modern technology in design and production is continually narrowing the qualitative differences that separate one competitive product from another. With this trend towards greater product uniformity, the factor which distinguishes the successful retailer from the unsuccessful is the value added by the people associated with the retailer.

We are fortunate. Our employees, whatever responsibilities they hold, have continued to display the commitment to the Company and the customers that makes Woodward's unique. Their efforts, particularly in the current economic climate, should be gratefully acknowledged. On your behalf, we extend to each of them our sincere appreciation, and to our customers, our gratitude for their continuing loyalty.

Respectfully submitted,

Woodward

Chairman of the Board and
Chief Executive Officer

MacLaren

President and
Chief Operating Officer

April 10, 1984

DIRECTORS' REPORT TO THE SHAREHOLDERS

DIRECTORS

CHARLES NAMBY WYNN WOODWARD†‡
ROSE BANCROFT
WILLIAM GEORGE BROWN†
CHARLES REGINALD CLARRIDGE**
THOMAS RAYMOND FARRELL*
MARCO GANDOSSI, C.A.†
WILLIAM DOUGLAS HAIG GARDINER‡
JAMES NORMAN HYLAND*‡
GRANT WOODWARD MacLAREN, C.A.†
PHILIP CHARLES McCOMB†
FRANK ALLAN ROBERTSON†
MARGARET ELIZABETH SOUTHERN
JOHN MARTIN TENNANT
ROBERT ARTHUR WHITE*

†*Member of Executive Committee*
**Member of Audit Committee*
***Alternate Member of Audit Committee*
‡*Member of Compensation Committee*

OFFICERS AND EXECUTIVE MANAGEMENT

CHARLES NAMBY WYNN WOODWARD
Chairman of the Board
and Chief Executive Officer

GRANT WOODWARD MacLAREN, C.A.
President and Chief Operating Officer

FRANK ALLAN ROBERTSON
Executive Vice President

WILLIAM GEORGE BROWN
Senior Vice President,
Personnel

MARCO GANDOSSI, C.A.
Senior Vice President, Finance
and Secretary

PHILIP CHARLES McCOMB
Senior Vice President,
Alberta Operations

GEORGE RICHARD BAILEY
Vice President, Marketing

WILLIAM GOODERHAM FORBES
Vice President, Retail Operations

JAMES ROBERT JONES
Vice President,
Real Estate and Development

MERWIN McBRIDE
Vice President, Food Operations

WILLIAM JOHN DOUGLAS WOODWARD
Vice President, Special Projects

DAVID PATRICK OGILVIE, C.A.
Controller

JOHN ALEXANDER BARNWELL, C.G.A.
Assistant Secretary

Highlights

	FISCAL YEAR ENDED January 28, 1984	FISCAL YEAR ENDED January 29, 1983	% Increase (Decrease)
FOR THE YEAR			
Operating revenue	**$1,120,015,895**	$1,104,128,417	1.44
Earnings before extraordinary item	**$ 4,835,888**	$ 8,435,968	(42.68)
Earnings per share before extraordinary item	**$ .33**	$ .57	(42.11)
Net earnings	**$ 4,835,888**	$ 8,950,222	
Net earnings per share	**$ .33**	$ .60	
Dividends per share	**$ .60**	$ .59	1.69
AT YEAR END			
Working capital	**$ 152,351,294**	$ 163,851,308	(7.02)
Shareholders' equity	**$ 191,012,336**	$ 189,132,517	.99
Equity per share (see notes on page 12)	**$12.84**	$12.71	1.02

REGISTRAR

WOODWARD STORES LIMITED
Vancouver, British Columbia.

TRANSFER AGENTS

WOODWARD STORES LIMITED
Vancouver, British Columbia.

MONTREAL TRUST COMPANY
Toronto, Ontario; Montreal, Quebec; Edmonton, Alberta.

HEAD OFFICE

101 West Hastings Street,
Vancouver, British Columbia.

AUDITORS

DELOITTE HASKINS & SELLS
Chartered Accountants,
Vancouver, British Columbia.

ANNUAL GENERAL MEETING

10:30 a.m. Monday, May 28, 1984
Lansdowne Auditorium,
Lansdowne Park Shopping Centre,
5300 No. 3 Road
Richmond, B.C.

Consolidated Statement of Earnings

	FISCAL YEAR ENDED January 28, 1984	January 29, 1983
OPERATING REVENUE:		
Sales including service charges	**$1,103,876,333**	$1,087,926,017
Rental revenue and other income	**16,139,562**	16,202,400
Total operating revenue	**1,120,015,895**	1,104,128,417
COSTS AND EXPENSES:		
Cost of merchandise sold and all other expenses except those listed hereunder	**828,725,624**	815,508,276
Selling, general and administrative	**243,951,674**	237,533,224
Profit sharing and retirement funds	**5,743,901**	10,639,235
Depreciation and amortization	**14,802,573**	12,580,946
Interest on long-term debt	**21,543,054**	17,273,338
Interest on capital lease obligations	**981,226**	1,021,754
Other interest	**1,849,658**	3,163,550
Total costs and expenses	**1,117,597,710**	1,097,720,323
OPERATING EARNINGS	**2,418,185**	6,408,094
Share of net earnings of corporate joint ventures	**1,182,703**	1,005,874
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	**3,600,888**	7,413,968
Recovery of income taxes (Note 7)	**1,235,000**	1,022,000
EARNINGS BEFORE EXTRAORDINARY ITEM	**4,835,888**	8,435,968
EXTRAORDINARY ITEM:		
Gain on disposal of properties, fixtures and equipment (net of income taxes of $155,000)	**—**	514,254
NET EARNINGS	**$ 4,835,888**	$ 8,950,222
NET EARNINGS PER SHARE (NOTE 8):		
Earnings before extraordinary item	**$ .33**	$ .57
Extraordinary item	**—**	.03
Net earnings	**$ .33**	$ .60

Consolidated Statement of Retained Earnings

	FISCAL YEAR ENDED January 28, 1984	January 29, 1983
RETAINED EARNINGS, BEGINNING OF YEAR	**$148,210,645**	$146,527,014
Net earnings	**4,835,888**	8,950,222
	153,046,533	155,477,236
Deduct dividends paid (including stock dividends — Note 6(c)) on:		
Class A shares	**6,222,541**	5,933,910
Class B shares	**793,171**	787,930
Class C shares	**1,146,845**	544,751
	8,162,557	7,266,591
RETAINED EARNINGS, END OF YEAR	**$144,883,976**	$148,210,645

Consolidated Statement of Changes in Financial Position

	FISCAL YEAR ENDED January 28, 1984	January 29, 1983
FUNDS PROVIDED FROM:		
Earnings before extraordinary item	**$ 4,835,888**	$ 8,435,968
Dividends from corporate joint ventures	**900,000**	1,278,000
Add (deduct) items not affecting working capital:		
Depreciation and amortization	**14,802,573**	12,580,946
Deferred income taxes	**(445,400)**	(3,190,000)
Share of net earnings of corporate joint ventures	**(1,182,703)**	(1,005,874)
Other	**661,612**	470,403
Total funds provided from operations	**19,571,970**	18,569,443
Disposals of properties, fixtures and equipment	**791,558**	1,067,084
Secured receivables	**3,556,100**	4,179,965
Investments	**600,610**	287,500
Long-term debt	**31,623,183**	52,640,000
Total funds provided	**56,143,421**	76,743,992
FUNDS APPLIED TO:		
Properties, fixtures and equipment	**55,060,344**	40,353,473
Investments	**1,500**	160,012
Long-term debt and capital lease obligations	**9,317,547**	6,135,688
Redemption of Class D shares	**573,424**	1,146,846
Cash dividends (including redemption of Class E shares issued as stock dividends)	**2,382,645**	4,578,793
Other assets	**307,975**	464,193
Total funds applied	**67,643,435**	52,839,005
(DECREASE) INCREASE IN WORKING CAPITAL	**(11,500,014)**	23,904,987
WORKING CAPITAL, BEGINNING OF YEAR	**163,851,308**	139,946,321
WORKING CAPITAL, END OF YEAR	**$152,351,294**	$163,851,308

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Woodward Stores Limited as at January 28, 1984 and the consolidated statements of earnings, retained earnings and changes in financial position for the fiscal year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at January 28, 1984 and the results of its operations and the changes in its financial position for the fiscal year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding fiscal year.

Vancouver, British Columbia
April 10, 1984

DELOITTE HASKINS & SELLS
Chartered Accountants

Consolidated Balance Sheet

ASSETS

	AS AT January 28, 1984	AS AT January 29, 1983
CURRENT ASSETS:		
Cash	**$ 3,829,343**	$ 3,942,354
Marketable securities — at cost (market value: 1984 — $9,222,000; 1983 — $7,433,000)	**1,443,519**	1,455,189
Accounts receivable	**94,391,666**	88,574,260
Current portion of secured receivables	**256,000**	4,054,000
Merchandise inventories	**173,284,751**	154,762,931
Income taxes recoverable	**1,922,494**	—
Prepaid expenses	**2,933,204**	3,520,602
Total current assets	**278,060,977**	256,309,336
SECURED RECEIVABLES (Note 2)	**5,336,995**	8,893,095
INVESTMENTS (Note 3)	**1,935,052**	2,251,459
PROPERTIES, FIXTURES AND EQUIPMENT (Notes 11(e) and 12(b)):		
Land	**56,676,084**	53,576,921
Buildings and improvements	**159,040,993**	128,482,228
Fixtures and equipment	**150,500,595**	130,870,225
Total cost	**366,217,672**	312,929,374
Less accumulated depreciation	**104,692,767**	91,300,635
Net properties, fixtures and equipment	**261,524,905**	221,628,739
ASSETS UNDER CAPITAL LEASES — at cost less accumulated amortization of $2,444,334 in 1984; $1,874,072 in 1983	**8,449,470**	9,019,732
OTHER ASSETS	**3,273,323**	3,884,207
TOTAL	**$558,580,722**	$501,986,568

LIABILITIES AND SHAREHOLDERS' EQUITY

	AS AT January 28, 1984	AS AT January 29, 1983
CURRENT LIABILITIES:		
Bank and other short-term indebtedness	**$ 41,103,029**	$ 9,038,159
Accounts payable and accrued liabilities	**78,591,592**	79,057,995
Income taxes	**—**	453,846
Current portion of long-term debt and capital lease obligations	**2,460,062**	2,408,028
Notes payable to a corporate joint venture	**3,555,000**	1,500,000
Total current liabilities	**125,709,683**	92,458,028
LONG-TERM DEBT (Note 4)	**218,687,589**	195,901,015
CAPITAL LEASE OBLIGATIONS (Note 5)	**8,742,737**	9,223,675
DEFERRED GAIN ON SALE OF CERTAIN PROPERTY (Note 1(h))	**8,904,086**	9,307,034
DEFERRED INCOME TAXES	**5,467,500**	5,912,900
MINORITY INTEREST	**56,791**	51,399
SHAREHOLDERS' EQUITY:		
Share capital (Note 6)	**40,064,608**	34,858,120
Contributed surplus (no transactions during the fiscal year)	**4,595,953**	4,595,953
Unrealized gains on sales of certain properties to corporate joint ventures (no transactions during the fiscal year)	**1,467,799**	1,467,799
Retained earnings	**144,883,976**	148,210,645
Total shareholders' equity	**191,012,336**	189,132,517
TOTAL	**$558,580,722**	$501,986,568

APPROVED BY THE BOARD:

C.N.W. Woodward, *Director*

M. Gandossi, *Director*

Notes to the Consolidated Financial Statements, January 28, 1984

1. SIGNIFICANT ACCOUNTING POLICIES:

(a) Principles of Consolidation and Basis of Presentation:

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned except Lansdowne Park Shopping Centre Limited which is 80% owned, as follows:

Woodward Stores (British Columbia) Limited
Woodward's Furniture Fair Limited
Abercrombie & Fitch Co. (Canada) Inc.
Woodward Acceptance Company Limited
Woodward Realty Limited
Lansdowne Park Shopping Centre Limited
Lethbridge Centre Limited
Britalta Wholesale Drugs Limited
Del-Pak Foods, Limited
Locarno Investments Limited
Provincial Construction Company Limited
Thirty-one Purchasing Service Limited
Deli Farm Food Processors Limited
Woodward Stores (London) Limited

The Company simplified its corporate structure during the current fiscal year by amalgamating Woodward Stores (Alberta) Limited with Woodward Stores (British Columbia) Limited.

The Company also owns 60% of the issued shares of Southgate Shopping Centre Limited. However, because all major decisions of that company require joint approval by the Company and the 40% shareholder, the Company does not have effective control. Accordingly, its accounts have not been consolidated.

(b) Accounts Receivable:

In accordance with recognized industry practice, accounts receivable include certain instalment accounts of which a portion will not become due within one year.

(c) Merchandise Inventories:

The basis of valuation of merchandise, at the lower of cost and net realizable value, is determined principally by use of the retail method of accounting generally used within the industry.

(d) Investments:

The Company's investments in Southgate Shopping Centre Limited and in three other companies where the Company's equity interest exceeds 20%, are accounted for on the equity method of accounting as corporate joint ventures. On this basis, the Company's share of earnings and losses of these companies is included in earnings and the Company's investments therein adjusted by a like amount. Dividends received from these companies are credited to the investment accounts.

The Company's investments in other companies where its equity interest is less than 20%, are accounted for on the cost method. On this basis, dividends are included in earnings when received.

(e) Lease Obligations:

Leases transferring substantially all of the benefits and risks incident to ownership of property ("capital leases") are accounted for as the acquisition of assets financed by long-term liabilities. All other leases are accounted for as "operating leases" whereby rentals are charged against earnings.

(f) Capitalization of Costs:

It is the Company's practice to capitalize carrying costs (interest and property taxes) on land held for future development to the extent that the carrying value does not exceed the estimated net realizable value and on land and buildings during development and construction. Such carrying costs capitalized during the current fiscal year were $1,811,238; (1983 — $5,789,573).

(g) Depreciation and Amortization:

The Company provides depreciation on properties, fixtures and equipment and amortization of assets under capital leases (other than on the buildings in four centres) principally on the straight-line basis at rates sufficient to write off the cost of the various classes over their estimated useful lives or lease terms. These annual rates, for the major asset classes, are 2½% of cost on buildings, 3% of cost on parking improvements and 10% of cost on fixtures and equipment.

For the buildings in four centres, the Company provides depreciation and amortization on the sinking fund method. Under this method the depreciation and amortization charged against earnings is an amount which increases annually and comprises a pre-determined fixed sum plus 5% compound interest, which together will fully depreciate the building costs over a 40 year period or the lease terms.

(h) Deferred Gain on Sale of Certain Property:

The gain on sale of certain property which has been leased back, has been deferred and is being amortized to earnings as an adjustment of rent expense over the term of the lease.

(i) Store Pre-opening Expenses:

These expenses are charged against earnings as incurred.

(j) Fiscal Year End:

The fiscal year end of the Company and certain subsidiaries is the last Saturday in January of each year, and for the remaining subsidiaries is January 31 of each year.

2. SECURED RECEIVABLES:

	January 28, 1984	January 29, 1983
Mortgages and agreements receivable arising from disposals of property and equipment	**$ 512,000**	$ 7,738,000
Loans under Share Purchase Plan	**5,080,995**	5,209,095
	5,592,995	12,947,095
Less current portion included in current assets	**256,000**	4,054,000
	$ 5,336,995	$ 8,893,095

The mortgages and agreements receivable bear interest at 12.0% at January 28, 1984 and mature on various dates to February 28, 1986. The loans under the Share Purchase Plan are receivable from officers of the Company, are interest-free and mature in 1991.

Maturities of mortgages and agreements receivable during future fiscal years are as follows: 1985 — $256,000; 1986 — $128,000; and 1987 — $128,000.

Under certain conditions, the secured receivables may be repaid prior to maturity.

3. INVESTMENTS:

	Equity Interest	January 28, 1984	January 29, 1983
Corporate joint ventures:			
Southgate Shopping Centre Limited	60%	**$ 58,822**	$ 107,260
Project 200 Properties Limited	25%	**10,346**	10,753
Project 200 Investments Limited	23%	**415,461**	808,473
The Edmonton Centre Limited	30%	**689,501**	564,051
Other		**760,922**	760,922
		$1,935,052	$2,251,459

4. LONG-TERM DEBT:

	Maturity	January 28, 1984	January 29, 1983
Woodward Stores Limited:			
5¾% Sinking Fund Debentures 1965 Series with annual sinking fund requirements on June 15 of $500,000	June 15, 1985	**$ 2,499,000**	$ 2,803,000
6¾% Sinking Fund Debentures 1969 Series with annual sinking fund requirements on September 1 of $10,000	September 1, 1989	**157,000**	164,000
8¾% Sinking Fund Debentures 1973 Series with annual sinking fund requirements on July 15 of $600,000 in 1984, $700,000 in each of the years 1985 to 1988 inclusive, and $800,000 in each of the years 1989 to 1992 inclusive	July 15, 1993	**9,397,000**	11,194,000
11¼% Sinking Fund Debentures 1974 Series with annual sinking fund requirements on October 15 of $800,000 in 1984 and $1,000,000 in each of the years 1985 to 1993 inclusive	October 15, 1994	**12,494,000**	14,536,000
10⅝% Sinking Fund Debentures 1976 Series with annual sinking fund requirements on June 15 of $800,000 in each of the years 1984 to 1986 inclusive, and $1,000,000 in each of the years 1987 to 1995 inclusive	June 15, 1996	**15,660,000**	17,040,000
9⅞% Sinking Fund Debentures 1977 Series with annual sinking fund requirements on August 1 of $800,000 in each of the years 1984 to 1987 inclusive, and $1,000,000 in each of the years 1988 to 1996 inclusive	August 1, 1997	**17,611,000**	19,002,000
17% Debentures 1982 Series due on maturity	April 1, 1987	**25,000,000**	25,000,000
Woodward Realty Limited:			
Bank term loans with interest and security as described hereunder on:			
Regional warehouse and distribution centre	January 26, 1986	**50,000,000**	49,081,000
Shopping Centre expansion	December 1, 1993	**30,704,184**	—
Mortgages and agreements payable on properties with varying annual instalments including interest at a weighted average rate of 12.1% at January 28, 1984	Various to January 1, 1999	**7,586,164**	8,734,155
Lethbridge Centre Limited:			
9¾% First Mortgage Bond payable in semi-annual instalments of $629,557 including interest with a balance of $2,735,030 due on maturity	January 1, 2006	**11,599,345**	11,718,724
Lansdowne Park Shopping Centre Limited:			
10⅛% First Mortgage Bonds Series A payable in semi-annual instalments of $1,128,253 including interest with a balance of $9,341,059 due on maturity	November 1, 1997	**18,874,346**	19,195,255
10¼% First Mortgage Bonds Series B payable in semi-annual instalments of $1,150,264 including interest with a balance of $9,492,160 due on maturity	November 1, 1997	**19,084,674**	19,404,252
		220,666,713	197,872,386
Less current portion included in current liabilities		**1,979,124**	1,971,371
		$218,687,589	$195,901,015

Notes to the Consolidated Financial Statements, Continued

All Debentures of the Company rank equally and are secured equally and rateably, except for sinking funds pertaining to the respective issues, by floating charges upon the undertakings and all property and assets, present and future, of the Company and certain designated subsidiaries.

The Trust Indentures, pursuant to which the Debentures of the Company have been issued, contain restrictive covenants concerning the payment of dividends. At January 28, 1984, the consolidated net current assets were approximately $134,000,000 in excess of the requirement under the most restrictive of such covenants, and the consolidated retained earnings free of restrictions were approximately $21,000,000.

The bank term loan of Woodward Realty Limited on its regional warehouse and distribution centre bears interest at a rate based on bank prime rate or, at the option of the subsidiary company, at a rate based on Banker's Acceptances and is secured by a floating charge on the assets of the centre. The interest rate on this loan at January 28, 1984 was 10.7%.

The bank term loan of Woodward Realty Limited for expansion of the Oakridge Shopping Centre bears interest at a rate based on bank prime rate or, at the option of the subsidiary company, at rates based on Banker's Acceptances or bank cost of funds and is secured by a mortgage on the centre, an assignment of leases and certain other agreements related to the operation of the centre, and a floating charge on all other assets of the centre. The interest rate on this loan at January 28, 1984 was 11.0%. The outstanding amount of $30,704,184 at January 28, 1984 includes accrued holdbacks and construction payables aggregating $8,004,184 with respect to the expansion, which will be paid out of the balance of the bank term loan facility.

The 9¾% First Mortgage Bond of Lethbridge Centre Limited is secured by a mortgage on the Lethbridge Centre and by an assignment of certain leases and other agreements related to the operation of the centre.

The 10⅛% First Mortgage Bonds Series A and the 10¼% First Mortgage Bonds Series B of Lansdowne Park Shopping Centre Limited are secured by a mortgage on the Lansdowne Park Shopping Centre and of all leases, and by an assignment of rents.

Maturities and sinking fund requirements during the next five fiscal years (net of debentures purchased in advance of such requirements of $7,340,000 at January 28, 1984) are as follows:

1985 — $1,979,000; 1986 — $55,999,000; 1987 — $4,797,000; 1988 — $30,253,000; and 1989 — $5,785,000.

5. CAPITAL LEASE OBLIGATIONS:

Certain of the Company's leases with respect to premises and fixtures and equipment are classified as capital leases, which mature during the fiscal years 1990 and 2040. Future minimum lease payments under these capital leases are as follows:

	January 28, 1984	January 29, 1983
Fiscal years ending in:		
1984	**$ —**	$ 1,421,412
1985	**1,421,412**	1,421,412
1986	**1,421,412**	1,421,412
1987	**1,421,412**	1,421,412
1988	**1,421,412**	1,421,412
1989	**1,421,412**	1,421,412
Thereafter	**25,495,308**	25,495,308
Total minimum lease payments	**32,602,368**	34,023,780
Less amount representing imputed interest averaging 10.2% at January 28, 1984	**23,378,693**	24,363,448
Present value of net minimum lease payments	**9,223,675**	9,660,332
Less current portion included in current liabilities	**480,938**	436,657
	$ 8,742,737	$ 9,223,675

6. SHARE CAPITAL:

(a) The authorized share capital at January 28, 1984 and principal attributes of the classes of shares, which are all without par value, were as follows:

(1) 20,000,000 Class A shares and 20,000,000 Class B shares which are voting and are exchangeable for one another at the option of the holder on a share-for-share basis, and are identical in all respects except that dividends on the Class B shares may be paid by way of stock dividends in the form of fully-paid Class E shares.

(2) 20,000,000 Class C shares which are not entitled to dividends other than stock dividends so long as any Class D shares are outstanding. Upon redemption of all of the Class D shares, the Class C shares will then have the same dividend rights as the Class B Shares. The Class C shares have the same voting rights as the Class A shares and Class B shares and may be exchanged on a share-for-share basis, for Class A shares or Class B shares once all of the Class D shares have been redeemed.

(3) 9,000,000 Class D shares which shall be redeemed by the Company for $1 per share at the same time and proportionately as cash dividends are payable on the Class A shares. The Class D shares are non-voting and are not entitled to dividends.

(4) 3,000,000 Class E shares which are non-voting, are not entitled to dividends and are redeemable at the amount paid-up thereon.

(5) 20,000,000 Class F shares issuable in one or more series, with the number of shares and rights of each series to be authorized by the directors before the issue thereof. The Class F shares are non-voting except to the extent that such right is attached by the directors to a particular series.

(6) 10,000,000 preferred shares issuable in one or more series, with the number of shares and rights of each series to be authorized by the directors before the issue thereof.

(b) The issued share capital at January 28, 1984 was as follows:

	Number of Shares	
	January 28, 1984	January 29, 1983
Class A shares	10,688,904	10,309,856
Class B shares	1,320,917	1,323,074
Class C shares	2,867,112	2,867,112
	14,876,933	14,500,042
Class D shares	200,698	774,122
	15,077,631	15,274,164

Sufficient Class A shares and Class B shares are reserved to satisfy the rights of exchange between classes.

(c) Changes in the issued share capital since January 29, 1983 were as follows:

	Number of Shares	Amount
(1) Class A shares, Class B shares and Class C shares:		
Balance at January 29, 1983	14,500,042	$34,083,998
Class A shares issued as stock dividends	376,891	5,779,912
Balance at January 28, 1984	14,876,933	39,863,910
(2) Class D shares:		
Balance at January 29, 1983	774,122	774,122
Redeemed	573,424	573,424
Balance at January 28, 1984	200,698	200,698
(3) Class E shares:		
Balance at January 29, 1983	—	—
Issued as stock dividends	1,323,107	264,621
Redeemed	1,323,107	264,621
Balance at January 28, 1984	—	—
Total paid-up capital	15,077,631	$40,064,608

In addition to the foregoing, 8,434 Class A shares were issued in exchange for 8,434 Class B shares and 6,277 Class B shares were issued in exchange for 6,277 Class A shares.

7. INCOME TAXES:

The companies' approximate statutory income tax rate for the current fiscal year was 50.9% (1983 — 51.9%). The recovery of income taxes does not reflect the statutory rate because of permanent deductions for income tax purposes (principally the 3% inventory allowance and the capitalization of certain carrying costs to land) in excess of charges against earnings and because of non-taxable incomes.

8. NET EARNINGS PER SHARE:

Net earnings per share have been calculated using the weighted average aggregate number of outstanding Class A shares, Class B shares and Class C shares assuming that Class A shares issued as stock dividends had been outstanding at the beginning of the preceding fiscal year. Net earnings per share for the 1983 fiscal year have been restated accordingly.

9. RELATED PARTY TRANSACTIONS:

The Company has transactions with related parties (principally corporate joint ventures) in the ordinary course of business. Such transactions, to the extent not disclosed elsewhere, are not significant to the consolidated financial statements.

10. BUSINESS SEGMENT:

The Company operates primarily in one business segment, the retail merchandising industry, as substantially all of its revenues and earnings are derived from that industry.

Notes to the Consolidated Financial Statements, Continued

11. CONTINGENT LIABILITIES AND OTHER COMMITMENTS:

(a) The aggregate minimum future annual rentals (exclusive of renewal periods and property taxes and other expenses payable directly by the companies) under long-term operating leases for premises are as follows:

Fiscal years ending in:

1985	$ 10,491,000
1986	10,461,000
1987	10,234,000
1988	10,201,000
1989	10,148,000
Thereafter to 2016	189,303,000
	$240,838,000

Some of these leases contain a percent-of-sales clause. The aggregate amount of rentals under these leases charged against earnings during the current fiscal year was approximately $15,000,000 (1983 — $14,100,000).

(b) The non-contributory pension plans for employees were fully funded at January 28, 1984. The total pension expense with respect to these plans charged against earnings during the current fiscal year was approximately $1,793,000 (1983 — $6,864,000).

(c) Southgate Shopping Centre Limited had outstanding at January 31, 1984 First Mortgage Bonds in the amount of $9,316,000 and General Mortgage Bonds in the amount of $26,362,919. Under two Deficiency Agreements the Company has agreed on a joint and several basis with respect to the First Mortgage Bonds and to the extent of 60% with respect to General Mortgage Bonds, to make available sufficient funds for the operation of the Southgate Shopping Centre, including payments of principal, interest and redemption premium, if any, on the bonds.

(d) Under an Indemnity Agreement the Company has a contingent liability to the extent of 30% with respect to amounts paid by a Canadian chartered bank under a Rental Deficiency Agreement for the operation of The Edmonton Centre complex, including payments of principal, interest and redemption premium, if any, on the First Mortgage Bonds of The Edmonton Centre Limited, which were outstanding at January 31, 1984 in the amount of $96,483,000.
Under a Subscription Agreement Woodward Realty Limited, in certain circumstances, may be required to purchase 30% of approximately $7,692,200 in preferred shares issued by The Edmonton Centre Limited to the Canadian chartered bank.

(e) Woodward Realty Limited is expanding its Oakridge Shopping Centre estimated to cost approximately $90,000,000, of which $30,658,641 was included in properties, fixtures and equipment at January 28, 1984.

12. SUBSEQUENT EVENTS:

(a) On February 20, 1984, the Board of Directors of the Company approved the establishment of a Key Employee Stock Option Incentive Plan which effectively replaced the existing Share Purchase Plan. Options were granted with respect to 594,000 Class A shares (including options on 285,000 Class A shares to officers of the Company) which are exercisable at any time up to February 20, 1989 at either $13.05 per share or $14.50 per share. Sufficient Class A shares are reserved for the balance of 893,693 shares that may be issued under the Plan.

(b) On March 30, 1984, Lansdowne Park Shopping Centre Limited sold its properties, fixtures and equipment for approximately $41,000,000 cash and the assumption by the purchaser of the related First Mortgage Bonds payable aggregating $37,959,020. The Company will continue to occupy its retail premises in the shopping centre under a long-term lease granted by the purchaser. The gain on sale was approximately $23,500,000, net of income taxes of $10,500,000 and minority interest of $6,000,000. As substantially all of this gain relates to the portion of the properties, fixtures and equipment not leased back by the Company, it will be reported as extraordinary earnings in the 1985 fiscal year.

Management Report

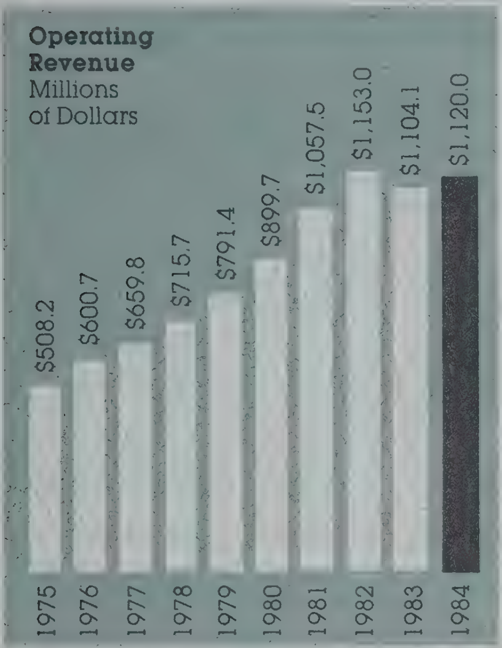
The consolidated financial statements of the Company and its subsidiaries, the notes thereto and all other financial information which accompanies this report, have been prepared by management of the Company in accordance with generally accepted accounting principles and on a basis consistent with the previous year. The consolidated financial statements have been examined by the Company's auditors, Deloitte, Haskins & Sells, and their report offers an unqualified independent opinion to shareholders on the Company's financial position and operating results for the year.

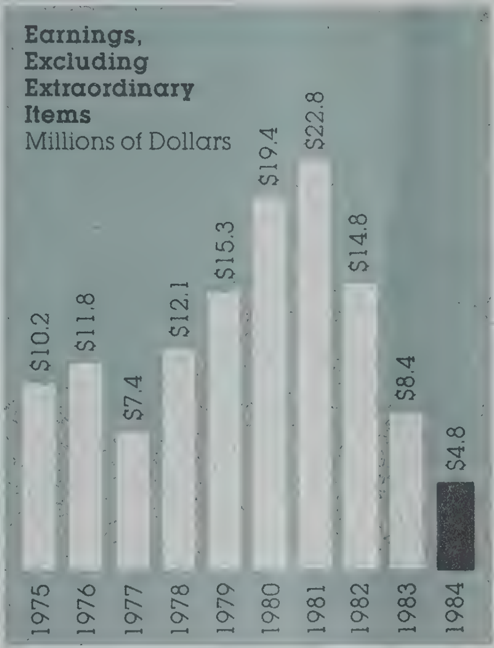
The Board of Directors has approved these consolidated financial statements after a comprehensive review and subsequent recommendation by the Board's Audit Committee. This Committee, which consists entirely of Directors who are not employees, meets quarterly with Company management, and periodically with the internal auditors and the Company's external auditors to review accounting and auditing procedures and other revelant financial matters.

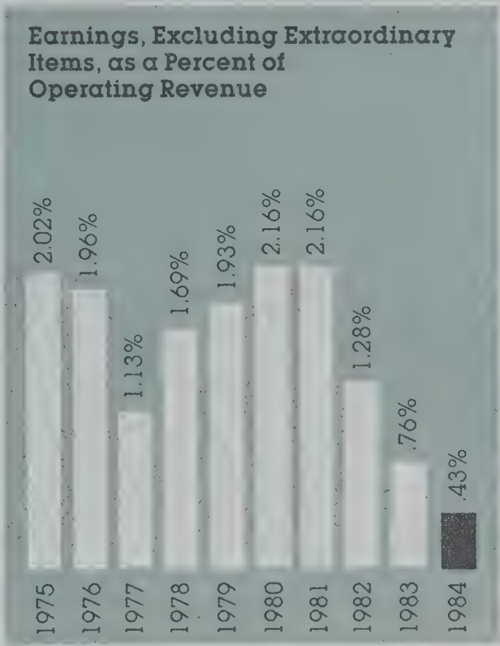
The system of internal control established by the Company, and the functions performed by the internal auditors provide management with reasonable assurance that the assets of the Company are safeguarded and that proper financial records are maintained.

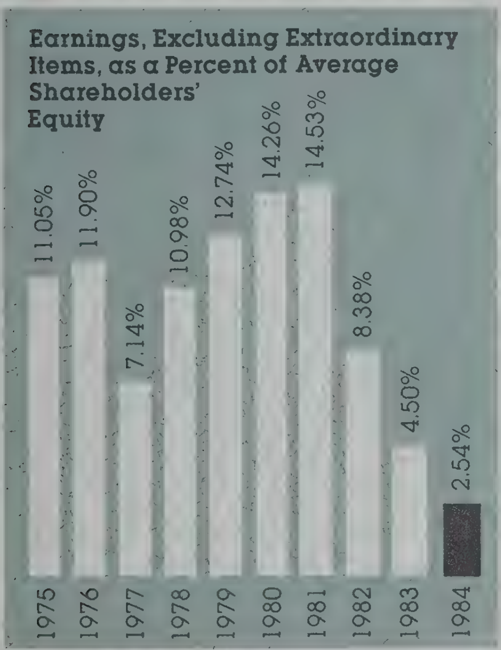
Supplemental Financial Information, January 28, 1984

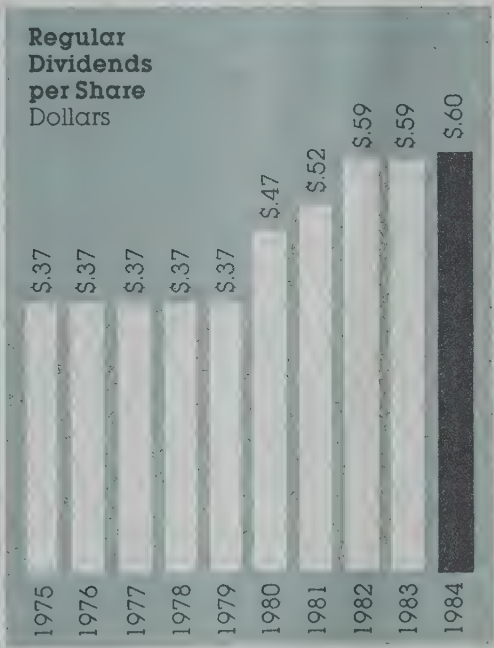
1. COMPARATIVE STATISTICS:

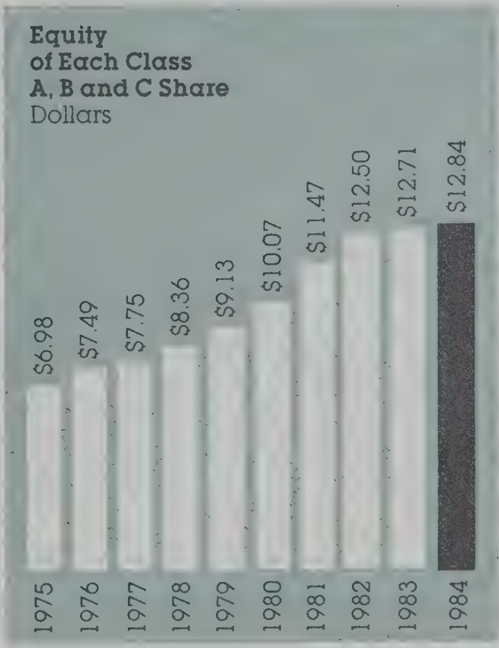












2. CONSOLIDATED DEBT TO EQUITY RATIO:

The outstanding non-current portion of long-term debt of Woodward Realty Limited and its subsidiaries as at January 28, 1984 and January 29, 1983 approximated $135,878,000 and $106,408,000 respectively, which represented 59.8% and 51.9% of the Company's total consolidated non-current portion of long-term debt outstanding at those dates. The ratio of the consolidated non-current portion of long-term debt and capital lease obligations to shareholders' equity of the Company as at January 28, 1984 was 1.19 to 1 (1983 — 1.08 to 1). If the long-term debt and shareholders' equity (after adjusting for minority interest) related to Woodward Realty Limited and its subsidiaries were segregated from the consolidated figures, this ratio would be .50 to 1 (1983 — .58 to 1).

Comparative Record

Fiscal Years Ended	January 28, 1984	January 29, 1983	January 30 1982
Sales Including Service Charges	**$1,103,876,333**	$1,087,926,017	$1,137,051,02
Rental Revenue and Other Income	**16,139,562**	16,202,400	15,940,84
Selling, General and Administrative Expenses	**243,951,674**	237,533,224	249,333,28
Provision for Depreciation and Amortization Charged to Operations	**14,802,573**	12,580,946	10,470,66
Interest on Long-Term Debt	**21,543,054**	17,273,338	12,313,81
Interest on Capital Lease Obligations	**981,226**	1,021,754	1,058,54
Profit Sharing and Retirement Funds	**5,743,901**	10,639,235	11,347,85
Provision for (Recovery of) Income Taxes	**(1,235,000)**	(1,022,000)	6,300,00
Net Earnings (*Excluding Extraordinary Items of Income)	**4,835,888**	*8,435,968	*14,786,77
Net Earnings per Share Excluding Extraordinary Items (2)	**$ .33**	$ .57	$ 1.0
Regular Dividends per Share	**.60**	.59	.5
Working Capital (Current Assets less Current Liabilities)	**$ 152,351,294**	$ 163,851,308	$ 139,946,32
Ratio of Current Assets to Current Liabilities	**2.21**	2.77	1.9
Properties, Fixtures and Equipment less Depreciation Provided	**$ 261,524,905**	$ 221,628,739	$ 193,832,48
Assets Under Capital Leases less Amortization Provided	**8,449,470**	9,019,732	9,589,13
Total Assets	**558,580,722**	501,986,586	510,061,41
Long-Term Debt	**218,687,589**	195,901,015	148,960,04
Capital Lease Obligations	**8,742,737**	9,223,675	9,660,33
Shareholders' Equity	**$ 191,012,336**	$ 189,132,517	$185,907,93
Equity of Each Class A, B and C Share (2) (3)	**12.84**	12.71	12.5
Return on Average Shareholders' Equity	**% 2.54**	% 4.50	% 8.3

(1) Fifty-three week period.

(2) The per share figures for 1983 and prior have been restated to reflect stock dividends paid during the 1984 fiscal year.

(3) In determining the equity of each Class C share (none prior to 1979), it has been assumed that all of the Class D shares were held by Class C shareholders and the equity attached to the Class D shares is ascribed to the Class C shares.

January 31, 1981(1)	January 26, 1980	January 27, 1979	January 28, 1978	January 31, 1977	January 31, 1976	January 31, 1975
1,042,633,351	$887,543,335	$779,978,339	$707,021,959	$653,461,110	$596,058,036	$504,491,394
14,905,792	12,179,334	11,373,254	8,706,781	6,298,581	4,610,957	3,690,544
214,010,248	180,421,586	155,745,105	144,515,877	135,108,476	120,408,625	102,289,899
9,618,687	7,816,806	6,989,128	6,287,736	6,254,336	5,227,545	4,520,716
12,708,898	13,347,187	13,887,698	10,576,742	7,496,609	5,171,384	4,153,786
1,091,956	670,046	582,988	583,679	584,299	584,855	438,971
11,671,858	9,653,643	6,989,980	6,247,903	5,481,067	5,545,359	5,083,836
17,520,000	13,367,000	10,394,000	7,311,500	6,357,000	11,414,000	10,960,000
*22,802,703	19,400,183	15,269,286	*12,102,766	*7,443,417	11,781,322	10,246,128
1.56	$ 1.37	$ 1.12	$ .88	$ .54	$ .86	$ .75
.52	.47	.37	.37	.37	.37	.37
144,627,122	$138,093,925	$128,534,788	$116,441,029	$ 89,194,111	$ 68,474,622	$ 69,886,699
2.36	2.91	3.29	2.93	2.39	1.87	2.38
150,514,534	$133,714,268	$131,066,597	$134,156,303	$119,787,942	$102,326,245	$ 82,525,737
10,157,721	10,725,528	5,310,021	5,324,144	5,337,595	5,350,404	5,362,604
419,528,400	358,747,348	324,827,246	320,442,026	281,657,785	256,858,094	210,448,258
129,815,674	124,888,412	137,463,526	140,347,987	105,830,112	68,976,000	57,241,000
9,941,740	10,416,804	5,289,400	5,296,808	5,303,430	5,309,338	5,314,596
167,110,938	$146,753,966	$125,333,129	$114,371,931	$106,020,630	$102,480,907	$ 95,459,512
11.47	10.07	9.13	8.36	7.75	7.49	6.98
14.53	% 14.26	% 12.74	% 10.98	% 7.14	% 11.90	% 11.05

Woodward Stores in British Columbia and Alberta

1892 - Downtown Store, Vancouver, B.C.
1948 - Port Alberni Store, Port Alberni, B.C.
1950 - Park Royal Centre, West Vancouver, B.C.
1954 - New Westminster Store, New Westminster, B.C.
1955 - Westmount Centre, Edmonton, Alberta
1959 - Oakridge Centre, Vancouver, B.C.
1960 - Chinook Centre, Calgary, Alberta
1963 - Mayfair Centre, Victoria, B.C.
1965 - Northwood Mall, Edmonton, Alberta
1966 - Guildford Centre, Surrey, B.C.
1966 - Parkwood Centre, Prince George, B.C.
1970 - Southgate Centre, Edmonton, Alberta
1971 - Market Mall Centre, Calgary, Alberta
1973 - Furniture Fair, Burnaby, B.C.
1974 - Edmonton Centre, Edmonton, Alberta
1974 - Arbutus Village, Vancouver, B.C.
1975 - Furniture Fair, Edmonton, Alberta
1975 - Lethbridge Centre, Lethbridge, Alberta
1975 - Sevenoaks Centre, Clearbrook, B.C.
1975 - Cherry Lane Centre, Penticton, B.C.
1977 - Lansdowne Park, Richmond, B.C.
1979 - Coquitlam Centre, Coquitlam, B.C.
1981 - Bower Place, Red Deer, Alberta
1981 - Aberdeen Mall, Kamloops, B.C.
1981 - Sunridge Mall, Calgary, Alberta
1981 - Woodgrove Mall, Nanaimo, B.C.